

FREQUENTLY ASKED QUESTIONS

For Persons Interested in Applying

What is an MPDU?

An MPDU is a housing unit that has a sales price affordable to households with moderate incomes. The City of Annapolis wants to ensure that housing options continue to be available to its low and moderate income residents and employees. To achieve this goal, the City Council passed the Moderately Price Dwelling Unit Law in 2004. The law requires that 12% of the houses for sale in new subdivisions of 10 or more units or 6% of the rental units, be moderately priced dwelling units (MPDUs), i.e., affordable to moderate income households.

What do you mean by moderately priced housing - is this low income housing?

We define moderately priced housing as housing affordable to persons or households making approximately 80 percent or less of the Baltimore area median income (for example, \$57,750 for a family of four). Realistically, to afford a home under this program, a household must earn at least \$35,000 or above in a year to qualify to purchase an MPDU.

How are the prices of the units determined?

Provisions in the MPDU regulations determine the price of homes built under the MPDU Program.

Is this a subsidized program?

No. City law requires private developers to provide a certain number of affordable units within large developments. Neither the City nor the developers provide any subsidy to buyers.

Who qualifies?

Any person or household who meets the minimum program requirements may apply for the MPDU program. You must be income eligible and have the necessary income to make mortgage payments. Also, you must be a City resident, or an employee of the City of Annapolis beyond your probationary period, or be a full-time teacher in an elementary, middle or high school within the city limits. In addition, you must not currently own a home; you must have a good credit history; and you must complete homebuyer's classes.

What are the maximum income limits?

The maximum income limits for the City of Annapolis MPDU Program are as follows:

Household size	Maximum Income*
1	\$40,450
2	\$46,200
3	\$52,000
4	\$57,750
5	\$62,400
6	\$67,000

** Gross annual income from all current sources for all wage earners in the household.*

Is there a minimum income required to purchase an MPDU?

The program regulations do not specify a minimum income but the City requires that you have an income of about \$35,000 a year to be eligible. This is because house prices normally require at least that amount of income to make the payment requirements. If a person has sufficient assets to use for a down payment that would reduce the mortgage payments, lower annual incomes may be acceptable.

What other financial means does an applicant need to purchase an MPDU?

To purchase an MPDU, you must be able to qualify for financing and to pay the down payment, settlement and other costs that are necessary to purchase a home. In addition, you must have a good credit rating. The lender decides if you are qualified.

What other monthly costs besides a mortgage payment must I pay if I purchase an MPDU?

Your monthly mortgage payment typically includes your homeowner's insurance payment and your property taxes, in addition to your loan payment. If you purchase a condominium or townhouse, you will be required to pay a monthly condominium fee or a homeowner's association fee that covers the costs of maintaining the "common areas" in the development. Some condominium fees also may include part of the utility costs. These fees may range from \$100 to more than \$350 per month, depending on the property that you purchase. You will be responsible for paying these fees the same as the other property owners in the development.

What are the requirements for the homebuyer classes?

Before you sign a sales contract or enter the housing lottery, you must complete 8 -10 hours of homebuyers' education provided by a HUD-certified organization. When you complete the course, you will receive an "FHA Home Buyer's Certificate."

The Anne Arundel Community Action Partnership is a HUD-certified organization that holds classes in September, October, November and December. They hold all classes from 6 - 8:00 p.m. at their office at 251 West Street, Annapolis, MD. Please check their web site www.aaceoc.com or call 410-626-1900 to sign up for the next available homebuyer's class. We will accept FHA Home Buyers Certificates from other HUD-Certified organizations like Arundel Community Development Services, Inc. (ACDS).

Where can I get an application for the MPDU Program?

MPDU applications are available from the City of Annapolis Department of Planning and Zoning, 159 Duke of Gloucester Street, Annapolis, MD 21401. You may download the form in pdf format by clicking [MPDU Program Application](#). If you want an application mailed to you, you may call the department at 410-263-7961.

What must I include with the application?

With your application you must include:

- ✓ A copy of your two most recent years of federal income tax returns including all schedules (electronic summary, e-File, or TeleFax are not acceptable); and
- ✓ Most recent pay stubs covering a full 30 days for every wage earner in the family; and
- ✓ Verification of child support/alimony, if applicable; and
- ✓ A copy of a recent credit report with a credit score (no older than 30 days old); and
- ✓ A copy of a photo ID for each applicant.

How do I get a copy of my credit report?

You may obtain credit reports from one of the following credit reporting agencies:

- ▶ Equifax: 1-800-685-1111
- ▶ Experian: 1-888-397-3742
- ▶ Trans Union Corp.: 1-800-916-8800

Will you check my credit history?

Yes. City staff will review your credit history to verify whether you would qualify for a mortgage.

I do not have a job, can I still apply?

Participants in the MPDU program must be able to pay a monthly mortgage payment. If you are not employed, you likely will not qualify for a mortgage.

If I am self employed, what will you accept in the place of a pay stub?

If you are self-employed, you must submit two years completed federal income tax returns signed and dated, including all schedules. Also, a current Profit & Loss Financial Statement(s) is required. If you have a 25% or greater interest in the corporation, we require two years of corporate tax returns.

I lost last year's tax return - do you really need it?

Yes. We will return incomplete applications. You must contact the Internal Revenue Service to request a summary statement of your previously filed tax return. You may request transcripts by calling 1-800-829-1040, or order by mail IRS Form 4506T (Request for Transcript of Tax Return). The IRS does not charge a fee for transcripts. Allow two weeks for delivery.

My last tax return shows more income than I now make. Will this affect my eligibility for the program?

Probably not. We use pay stubs to decide your current income and we use your tax return to verify other information on your application.

I do not receive a paycheck stub. What can I submit instead?

You can have your employer verify your annual income and year-to-date earnings on company letterhead or request your employer to complete an Income Verification Form (available from our office).

Do you provide financing for my home?

No. We do not provide financing to purchase MPDUs. You must receive financing through a conventional lender (like a bank), a mortgage company or the Maryland Department of Housing and Community Development's "More House 4 Less" Program. You can find more information on this program at www.morehouse4less.com or by calling 1-800-638-7781.

After a person submits an application for a Certificate of Eligibility, about how long does it take to receive the certificate?

Certificates will be mailed out within six to eight weeks of applications being received by the City of Annapolis. Within the first six weeks after submittal of an application, please do not call the City of Annapolis. If an applicant does not receive a Certificate within eight weeks, then it is appropriate to call 410-263-7961 to discuss the status of your application.

How long is a Certificate valid? When a Certificate expires, can it be renewed?

A Certificate is valid for one year from the date of issue and may be renewed. At the time of renewal, applicants must submit documentation that shows that their income limits still fall within the eligibility guidelines of the MPDU program.

How long do you keep my file?

Files are kept for only 60 days beyond the expiration date of the certificate.

What types of units are available through the MPDU program?

Most units that will be available under the Annapolis MPDU purchase program will be either townhouses or condominiums. The size of the eligible units ranges from a one-bedroom condominium with approximately 700-800 square feet of gross floor area to a three bedroom condominium with approximately 1,300 square feet of gross floor area.

May I apply for a certificate at any time during the year?

Applications for Certificates to Purchase MPDUs will be accepted in person or by mail. Dates will be posted on the webpage under [Announcements](#) and advertised in *The Capital*.

Once a Certificate of Eligibility to purchase is issued, then what happens?

If you are eligible based on your family size, income, and the size of the MPDU being offered, you will receive a flyer notifying you of the next time a lottery will be held for units for which you will qualify. If you are interested in the units being offered, you must return the completed lottery form by the date indicated.

Number of Persons In Household	For Sale MPDUS Eligible Number of Bedroom(s)*
1	Efficiency or 1
2	1 or 2
3	2 or 3
4	2 or 3
5	3 or above
6	3 or above

When and where will the lotteries be held?

Lotteries are held when builders notify us of the availability of MPDUs in any new subdivision or building. The lotteries will be held in City Council Chambers, 160 Duke of Gloucester Street in Annapolis, before the City Council Meeting. Certificate holders will be sent a notice of the time and date of the lottery.

Once the lottery is held, the City will send the builders a list of names of certificate holders drawn at the lottery. The builders will contact those names on the list to offer the MPDUs for sale.

What if I don't want to buy the unit that is offered to me by a builder?

If certificate holders are not interested in the unit available from the builder who contacts them, they can decline to purchase the unit. Their name remains on the list of certificate holders which is given to future sellers of MPDUs. If a certificate holder chooses not to purchase a unit, there is no guarantee that another unit will become available. A name is only removed from the list when a certificate holder purchases a unit or requests that his or her name be removed.

What upgrades can be added to the allowable sales price of a unit and included in a mortgage?

No upgrades will be available.

What if a Certificate Holder gets a pay raise between the time a certificate is issued and he/she purchases a unit?

The income of the Certificate Holder must be within the MPDU eligibility guidelines at the time a contract is signed for an MPDU unit. If the applicant has gotten a significant increase in pay since the time the Certificate of Eligibility was issued, he/she is no longer qualified to purchase an MPDU. Current pay stubs must be submitted to the individual private lending officers who will determine whether the income limits of the MPDU program have been exceeded.

Can a buyer have a cosigner for a mortgage loan?

There may be a cosigner on a loan as long as the cosigner does not appear on the deed as a co-owner. This provision is at the discretion of the individual lender.

What is the occupancy period for MPDUs? What does this mean in terms of reselling a unit?

The City imposes certain resale and occupancy restrictions on the MPDUs when the completed units are sold. The MPDU is subject to resale price controls and owner occupancy requirements. The occupancy period means the time a MPDU is subject to resale price controls and owner occupancy requirements. The occupancy period is 10 years and begins on the date of initial sale. If an MPDU is sold to an eligible person within 10 years after its initial sale, the unit must be treated as a new MPDU and a new occupancy period must begin on the date of the sale.

The price for which the unit can be resold is controlled during this period, and the unit must be resold through the MPDU program to another MPDU certificate holder. Other compliance standards can be found by clicking [City Ordinance O7-03](#).

The MPDU must be owner-occupied throughout the applicable occupancy period, and when the owner sells the unit for the first time *after* the 10-year occupancy period ends, it

may be sold at a market price. Any excess profit is kept by the owner of the MPDU.

Does the type of MPDU available for purchase depend on family size?

Larger MPDUs, such as those with two and three bedrooms, are not available to individuals. These units are reserved for families of at least two persons. It is the goal of the MPDU program to have larger units bought by families with children, when possible.

May I rent out my MPDU?

No. You must live in the MPDU as your primary residence, or you must sell it back to the City.

If I pay off my mortgage, does my obligation to the MPDU program still remain in effect?

Yes; the covenants on your MPDU are not tied to your mortgage. The covenants are tied to the property itself. Therefore, paying off your mortgage does not relieve you of your obligation to adhere to the MPDU rules you agreed to when you purchased your property.

Can I come into your office to get more information?

Yes, you may come in during business hours 8:30 - 4:30 M-F. However, most of the information you need can be found on this web site.

For Builders and Developers

I just received preliminary plan approval for my project and I have been told how many MPDUs I must build. What do I do next?

Before you can apply for the necessary building permits for your overall project, you must negotiate and enter into an "Agreement to Build Moderately Priced Dwelling Units" with the City's Department of Planning and Zoning. Please contact Planning and Zoning staff at 410-263-7961 to schedule an initial meeting.

My first MPDUs are nearing completion and I want to start making them available to MPDU clients. What should I do?

No later than ninety (90) days before you expect the first MPDUs to be available, you should negotiate and submit an "MPDU Offering Agreement" to the Department of Planning and Zoning. As part of the negotiations, the MPDU staff will work with you to set the allowable sales price for the MPDUs.

How do I make the units available to the MPDU buyers?

The MPDU staff will schedule a lottery for eligible MPDU certificate holders. This will

usually occur three weeks after your offering agreement has been approved. This lottery will produce a list of names of certificate holders who you must contact to offer the MPDUs for sale.

How are the sales prices of my MPDUs established?

The sales price at which you are allowed to sell an MPDU is based on a pricing formula set by the City.

For Real Estate Agents, Lenders, Appraisers, Etc.

What is the occupancy period on an MPDU, and what does it mean?

The occupancy period is a set period of time beginning on the settlement date of the initial sale of the MPDU and 10 years into the future (see below). If the MPDU is sold within the occupancy period, the home must be sold to another MPDU client at a price determined by the City. This 10 year occupancy period will renew each time the MPDU is sold.

Are there any limits on the sale price of an MPDU after the occupancy period is up?

No. The owner may sell the MPDU at a fair market price.

Once the occupancy period has expired, can the owner sell to whomever they want?

Yes.

How are the MPDU requirements enforced?

The city's MPDU requirements are enforced through covenants that are placed on the property. Once the occupancy period has ended, these covenants are released.

Does the City take action against MPDU owners who do not follow the covenants and program requirements?

Absolutely YES!

May an MPDU owner rent his/her MPDU?

No. The owners must live in the MPDU as their primary residence, or they must sell it.

Can an MPDU owner refinance their MPDU at current market value?

Technically yes, but the owners cannot refinance for more than the MPDU value, as determined by Department of Planning and Zoning. In addition, the owner must be aware that he/she is required to sell the unit to another MPDU-eligible household at a price set by the City if he/she sells during the occupancy period. Therefore, it is dangerous to refinance up to the new market value and take all the equity out of the property. If the owners are forced to sell shortly after the refinancing and before the occupancy period is completed, they could be put in severe financial jeopardy. Contact MPDU staff at 410-263-7961 for additional information.

If an owner pays off his/her mortgage, does his/her obligation to the MPDU program still remain in effect?

Yes. The covenants on the MPDU are not tied to the mortgage. The covenants are tied to the property itself. Therefore, paying off the mortgage does not relieve the owner of his/her obligation to adhere to the MPDU rules agreed to when the property was purchased.